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June 5, 1975

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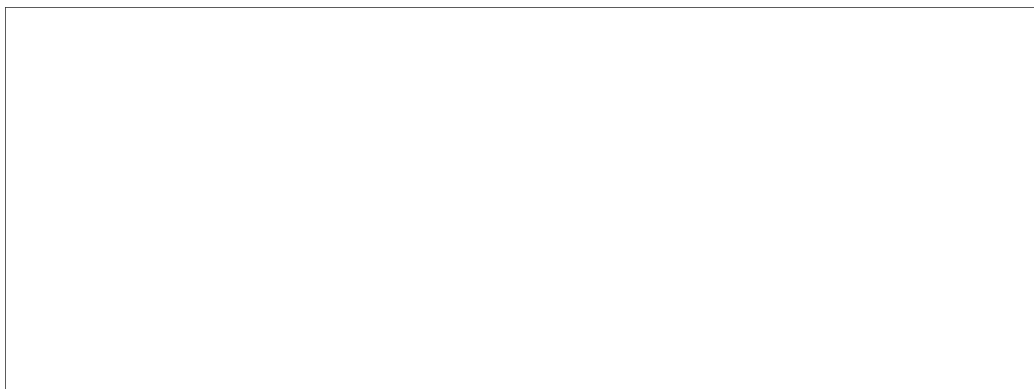
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### CHINA

Peking is being increasingly open in expressing its approval of a continued strong US strategic presence in Japan and Europe.

A Japan Socialist Party (JSP) delegation, during meetings in Peking three weeks ago, was "astonished" by Peking's openly benign attitude displayed toward the US. According to the US embassy in Tokyo, the Chinese waved aside JSP-proposed language in the final communique that called for the reunification of Taiwan with the mainland and that attacked the US-Japanese Mutual Security Treaty and US policy in Indochina.

Such references have been standard fare for years in joint JSP-Peking documents. This time, according to the embassy, the Chinese said the reference to Taiwan was unnecessary, and Vice Premier Li Hsien-nien indicated that China "understands and accepts" US-Japanese security arrangements. The communique merely noted that China understood the Socialists' opposition to the Mutual Security Treaty—much softer language than that used in the last Sino-JSP communique issued in 1970. The Chinese, moreover, did not criticize Washington's Indochina policy to the Socialist delegation, even though the visit took place within days of Saigon's fall.

The communique did contain an unfavorable reference to US efforts to "bolster" South Korean President Pak and to "hang on" in South Korea. It also claimed that US bases "infringed" on Japanese sovereignty and integrity. The embassy reports, however, that the Japanese Socialists believe the US was mentioned in the context of opposing superpower hegemony as a Chinese concession to the Socialists—apparently in order to get them to agree to strong anti-Soviet language in the same paragraph. In fact, a member of the delegation stated that the Chinese reviled and attacked the Soviets repeatedly throughout the discussions.

The Chinese press, in addition, has given unusually positive treatment to the NATO summit and President Ford's European trip. The New China News Agency has stressed statements that underline the US commitment to NATO, the determination of the Alliance to remain militarily strong and politically cohesive, and the assurances of the US that detente with Moscow would not detract from Washington's interests elsewhere. Chinese media customarily report on such trips only at their conclusion and generally depict such meetings as causing another round of "contention" between Washington and Moscow.

Foreign Minister Chiao Kuan-hua, who recently has frequently spoken of the US as the most important counterweight to the Soviets, went so far in early May as

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to imply that Peking and Washington might cooperate to deny Moscow a military foothold in Vietnam.

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**IRAN**

The Iranian air force is phasing out its older model US-built F-5 Freedom Fighters. Tehran sent some 20 of its F-5s to Jordan earlier this year and may send an additional 12 this fall. Another 20 Freedom Fighters are to be returned to the US. The aircraft are being replaced with F-5E "Tiger II" interceptors. The Shah has ordered 170 of this newer version of the F-5.

The Shah's policy is to obtain the newest and most sophisticated aircraft for his air force. In addition to the late-model F-5s, he has some 135 F-4 Phantoms, with an additional 70 yet to be delivered. Iran has also contracted for at least 80 US F-14s equipped with advanced Phoenix air-to-air missiles. The first of the F-14s are scheduled to be delivered before the end of the year. The Shah has expressed an interest in acquiring the F-16 lightweight jet fighter as well.

Iran is the dominant local air power in the Persian Gulf, and the Shah intends to project this power into the Arabian Sea. Bandar Abbas airfield near the Strait of Hormuz will be the home base for two Phantom squadrons when they are formed. Another airfield is being built on the coast at Chah Bahar, where two fighter squadrons will be stationed in the late 1970s. From this base, Iranian aircraft could dominate the nearby shipping lanes and reach as far as Bombay, India.

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**ARAB STATES**

The Arabs have indefinitely put off the summit meeting that had been set for June 28 in Mogadiscio, the capital of the Arab League's newest and least Arab member, Somalia.

The decision to postpone has not been fully explained. The Arabs may simply feel that the June date is premature in view of the current uncertainty about the status of peace negotiations, the outcome of the US policy reassessment, and the timing of a reconvened Geneva conference.

Several Arab countries, led by Saudi Arabia and Syria, had objected to the venue for reasons never entirely clear but apparently having to do with Mogadiscio's execution of ten Muslim sheikhs early this year, its non-Arab character, and its lack of social amenities.

Last month, Somali President Siad made a personal appeal to Arab leaders to keep the meeting in Mogadiscio. He apparently succeeded and began intensive efforts to prepare the capital for the event. At that point, Sudan, fearing that the Somalis might bring up East African issues, moved to postpone the Arab meeting at least until after the African summit in July and was quickly supported by the principal Arab states.

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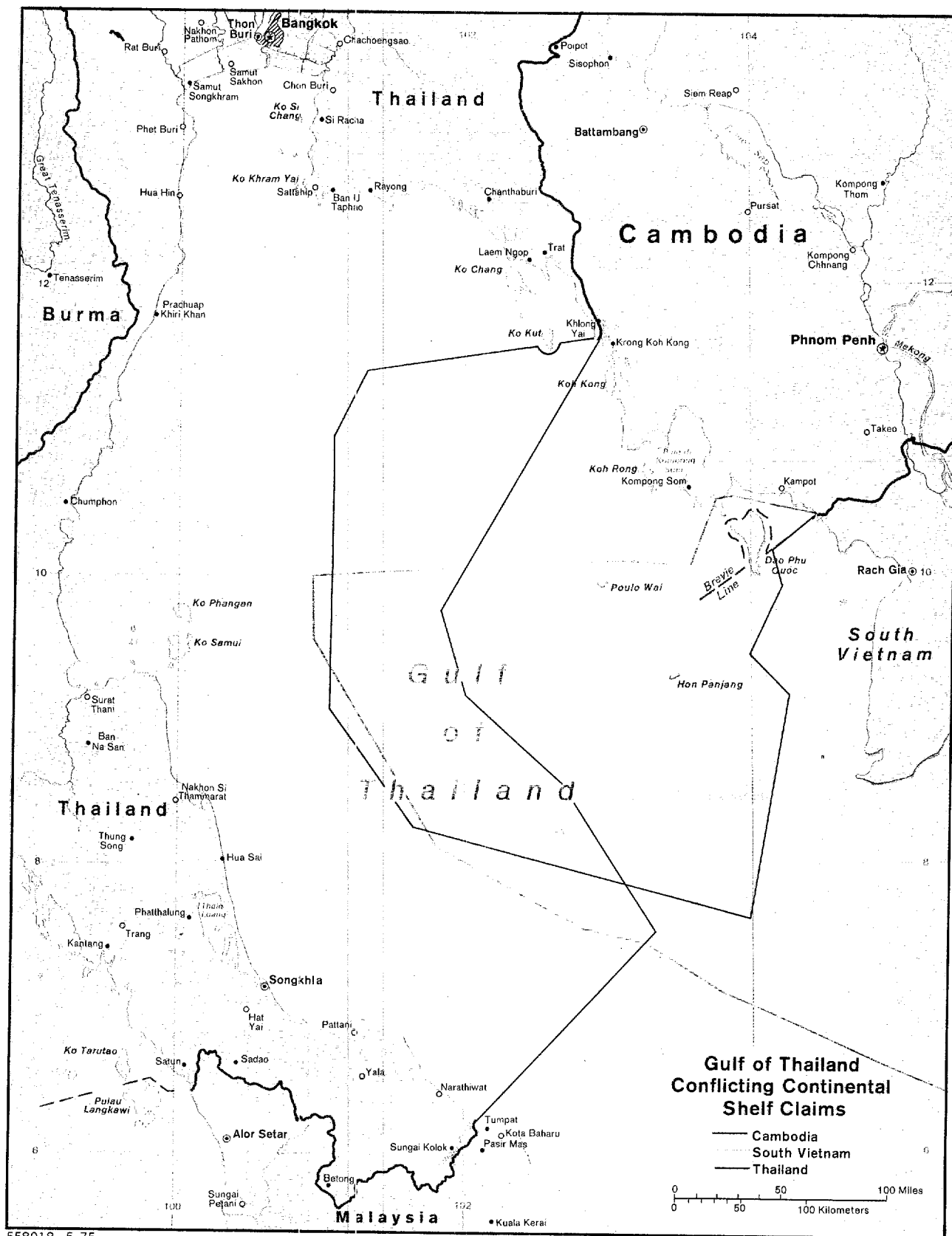
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FINLAND: Finnish Prime Minister Sorsa resigned yesterday. President Kekkonen accepted the resignation but asked Sorsa's government to continue until he can appoint a caretaker cabinet of civil servants. Kekkonen also scheduled national elections for the end of September, instead of next March as had been planned. The resignation had been expected since May when the two major coalition partners of Sorsa's four-party coalition refused to support the government's regional development package.

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### ANNEX

#### Conflicting Claims to Gulf of Thailand Seabed

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The seizure by the new regime in Cambodia of foreign ships near Poulo Wai and other small islands in the Gulf of Thailand has drawn attention to the conflict between Cambodia and Vietnam about the islands and to the larger question of rights to the undersea resources in the Gulf. Thailand does not claim any of the islands claimed by South Vietnam and Cambodia, but does make extensive claims to the seabed.

In fact, the seabed claims of the three countries overlap considerably, and indications that there may be sizable deposits of oil in the Gulf will complicate efforts to sort out the overlapping claims.

#### Contested Islands

Most of the contested islands are small and have little economic value, but are used as points from which to assert ownership of the seabed. The potential oil wealth in the Gulf is ample incentive for all three countries to stand firm in any negotiations to settle their differences.

The Brevie Line, drawn by the French colonial administration in 1939, was until the late 1950s the de facto maritime boundary between Cambodia and South Vietnam. The line was drawn from the terminus of the land boundary between the two states seaward at a 234 degree azimuth. The islands northwest of the line were considered Cambodian and those southeast, Vietnamese; the line looped around the largest contested island, Phu Quoc, making it Vietnamese. Phu Quoc is inhabited almost exclusively by Vietnamese.

Both South Vietnam and Cambodia have since repudiated the line. In 1958, South Vietnam claimed several islands between Phu Quoc and the Cambodian mainland, and, by the mid-1960s, Cambodia had claimed a number of islands southeast of the line, including Phu Quoc.

Poulo Wai, isolated from the other contested islands, is more than 25 miles to the northwest of an extension of the Brevie Line. South Vietnam never made a direct claim to the island, but Cambodia reasserted a claim to it in response to a September 1974 note from Saigon disputing Cambodian jurisdiction over the nearby continental shelf. The new communist government in Cambodia has occupied Poulo Wai and several small islands north of Phu Quoc and may have occupied Hon Panjang.

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### A Shallow Sea

The Gulf of Thailand is shallow, at no place more than 200 meters deep. The floor of the Gulf is thus entirely a continental shelf. According to the 1958 UN convention on the continental shelf, mineral resources fall under the jurisdiction of the neighboring coastal state. Where the shelf is adjacent to the coasts of two or more states, the convention called for the use of an equidistance principle to allocate rights. The convention did not provide adequate guidelines to apply the principle. Nor did the recently concluded session of the Law of the Sea Conference in Geneva provide useful guidance.

Each of the coastal states—Cambodia, South Vietnam, and Thailand—has made ambitious claims. Cambodia and South Vietnam have defined their shelf boundaries with Thailand by drawing lines that are roughly equidistant between the contested islands of Poulo Wai and Hon Panjang in the east and the Thai mainland in the west. More than half of Cambodia's 35,000-square-mile shelf claim is also claimed by South Vietnam and about one fourth by Thailand.

The former governments in Cambodia and South Vietnam granted concessions to petroleum companies, and exploratory drilling began in 1974. Several of the companies drilling in South Vietnamese waters reported promising finds, but all exploratory drilling was done in the easternmost of South Vietnam's concessions, where jurisdiction has not been contested. A French-US oil consortium, licensed to test drill on Cambodia's seabed, reported no discoveries. Operations licensed by the two countries have been suspended.

Drilling by the seven companies licensed by Bangkok to explore on its shelf in the Gulf of Thailand began in 1971. Several test wells near seabed areas contested by both Cambodia and South Vietnam have struck promising flows of oil and gas.

### Oil Rigs

The most threatening incident involving the Gulf's continental shelf occurred in September 1974 after Saigon demanded the removal of a Cambodian-licensed exploratory oil rig from a disputed area some 45 miles southwest of Poulo Wai. Strongly worded diplomatic notes were exchanged before the rig was removed and the two countries agreed to negotiate.

Before this, Saigon had been willing to concede the sector of the shelf around Poulo Wai in return for a maritime frontier that would assure South Vietnam's retention of Phu Quoc. Talks were held in Saigon in late September 1974—after the oil rig dispute had abated—and again in March of this year.

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Saigon was apparently willing to concede a large part of the shelf, but Cambodia insisted on drawing lines in such a way as to leave Phu Quoc on the Cambodian side. This was clearly an effort to attain a larger shelf concession from Saigon. The talks—the last to be held by the pre-communist governments—ended without resolving anything. It does not seem likely that the new regimes in Saigon and Phnom Penh will be more successful in resolving these disputes, at least any time soon.

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